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1. HUNGARIAN REGIME MOVES TO CRUSH WORKER RESISTANCE

Following almost a week of popular demonstrations in Budapest sometimes reaching violence, Hungarian security units--backed by Soviet military personnel--have arrested large numbers of students, intellectuals, workers and representatives of the various workers' councils. The regime conceded on 7 December that a "few hundred" had been arrested, and the American legation reports that Budapest is tense with fear of further arrests.

In an apparent attempt to justify the wave of arrests, the Kadar regime has denounced worker groups still "disturbing the peace" as counterrevolutionaries who must be apprehended in order to restore order. In addition, small groups of AVH personnel in civilian clothes have precipitated fights with anti-Kadar demonstrators to provide further justification for arrests and a general tightening of internal security.

The Central Workers' Council of Budapest threatened on 7 December that if the arbitrary arrests continue, the "workers will turn against the government for good and the end will be a general strike, bloodshed and a new national tragedy!" The council was to meet with Premier Kadar on 7 December to press for the release of recently seized workers and labor leaders and the right to publish a paper. The council has succeeded in distributing throughout much of the country leaflets defying the Kadar regime's recent strong-arm methods. The regime radio has admitted that "opposition" elements have been active in scattered areas in Hungary, and that most coal miners have again left their jobs.

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5. LIBERALS TO HEAD NEW POLISH ECONOMIC COUNCIL

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[Redacted]

The Polish radio announcement on 5 December of the imminent appointment of Oskar Lange and Czeslaw Bobrowski as chairman and deputy chairman of the newly formed Economic Council of the Polish Council of Ministers illustrates the emphasis now being placed by the new regime on technical competence of personnel chosen to direct the economy along more liberal lines. Lange, a former Socialist, is Poland's most prominent economist. Bobrowski, also an experienced economist and administrator, is a steadfast Socialist and has been living in France since his defection in 1950.

In an article published last July, Lange outlined the essential elements of a new liberalized economic policy very similar to that subsequently enunciated by Gomulka at the eighth plenum of the Polish United Workers (Communist) Party (PZPR). He has managed to survive the welter of post-war economic policy changes relatively unscathed, emerging now in the apparent role of architect of Gomulka's new economic program for Poland. He spent the years from 1934 to 1947 in the United States, first in the academic world and later, after renouncing his newly won American citizenship in 1945, as Polish ambassador to the United States.

Bobrowski is highly regarded by old-line Polish Socialists. After serving with the government-in-exile in London, he returned to Warsaw in 1946 as chairman of the State Planning Commission. He held this position until 1948, when he was forced to resign as a consequence of his close identification with the right wing of the Polish Socialist Party. He was subsequently appointed minister to Sweden.

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6. VATICAN POSITION ON POLISH WESTERN TERRITORIES UNCHANGED

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The Polish government newspaper on 5 December stated that the Vatican's agreement to appoint bishops in Poland's western territories does not mean a change in the Holy See's policy that the

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political question of the Oder-Neisse frontier remains to be settled in a peace treaty. The official Polish news agency had previously claimed the Vatican's action was "confirmation of the inviolability of the frontiers of the republic on the Oder and Neisse and the Baltic!"

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The Vatican may have made Poland's public acknowledgment of the church's unchanged position on the Oder-Neisse issue a condition for the episcopal appointments.

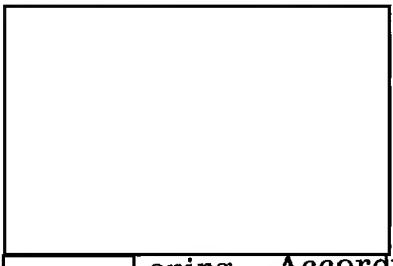
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7. INDONESIAN POLITICAL CRISIS DEVELOPING

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[Redacted] The reported decision of Indonesia's largest Moslem party, the Masjumi, to withdraw from the cabinet suggests that a major political crisis is developing. According to the editor of a leading Djakarta newspaper, this decision will be announced at the Masjumi congress scheduled for 22-28 December.

The withdrawal of the Masjumi from Indonesia's coalition government would culminate a long period of dissatisfaction over corruption and government mismanagement, as well as concern over unrest in the army and President Sukarno's advocacy of "guided democracy!"

Should the Masjumi leave the government, it would almost certainly look to former vice president Hatta for leadership. Hatta, in any bid for power, would probably have the strong backing of Indonesia's other major Moslem party, the Nahdlatul Ulama (NU). These two parties, representing about 50 percent of the voting public, could count on the support of various small parties, and might therefore be able to organize a new government. The National Party, however, supported by Sukarno, could be expected either to offer the NU strong inducement not to defect or to accept openly the full support of the Communist Party.

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9. BRITAIN APPARENTLY TO GIVE UP BASES IN CEYLON

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Britain has apparently agreed to give up its naval base at Trincomalee and its airfield at Katunayake, north of Colombo. Prime Minister Bandaranaike told newsmen in London on 5 December that the "sooner the UK quits the bases the better." In Karachi, on his way home, Bandaranaike said that Britain would give up these military bases next year.

Prior to the British intervention in Suez, which caused a storm of protest in Ceylon, Bandaranaike had apparently been willing to postpone base negotiations almost indefinitely or permit British use of the bases under Ceylonese control despite his election promises to obtain British withdrawal from the bases.

The British presumably bowed to Bandaranaike's demand in order to avoid further strain on Ceylon's attachment to the Commonwealth. British military authorities for some months have been considering several alternatives to the bases in Ceylon--principally Mombasa, Aden, and the Maldives Islands.

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